

Budget outlook predicts \$500M shortfall in next budget cycle



The legislative building in Olympia houses the Senate and House chambers.

By Associated Press

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OLYMPIA — Washington state lawmakers are facing a projected budget shortfall of nearly \$500 million for the next two-year budget ending in mid-2019, according to new numbers released Wednesday, not counting the expected financial obligation needed to increase funding for education as directed by the state Supreme Court.

The budget outlook released by the Washington state Economic and Revenue Forecast Council showed that the current two-year budget that ends in the middle of 2017 will have a surplus of about \$357 million. But the following two-year budget projection shows a shortfall of \$474 million.

State officials said that since the Legislature approved the current two-year, \$38 billion budget this past June state costs to maintain current services and other mandatory costs for the current biennium have grown by nearly \$700 million.

Gov. Jay Inslee is preparing a supplemental budget proposal to be released next month. Lawmakers will return to Olympia in January, and the House and Senate will each present their supplemental budget proposals during the 60-day legislative session.

Lawmakers return to the Capitol under the cloud of \$100,000-a-day sanctions that have been imposed by the state Supreme Court since August over lawmakers' lack of progress on fixing the way the state pays for public education.

The high court initially ruled in 2012 that lawmakers were not meeting their constitutional responsibility to fully pay for basic education. They gave the Legislature until the 2017-18 school year to fix the problem, and ultimately found the Legislature in contempt in 2014 before sanctioning them earlier this year. State budget director David Schumacher said that the costs related to that mandate are at least \$3 billion.

Lawmakers will also be faced with a new voter-approved initiative that gives them two choices: By April 15, pass a constitutional amendment that asks voters to raise the threshold needed for the Legislature to pass taxes, or else the state's sales tax will be cut by one percent. That measure is currently being challenged in the courts.

The state Office of Financial Management has estimated the measure would reduce revenue to the state budget by \$8 billion through the middle of 2021 if its tax-cut element becomes law.

Schumacher said that the budget outlook released Wednesday does not factor that in.

"I think we have plenty of concerns with this \$500 million of bad news without worrying about how bad it would be if we had to go down that path," he said. "We have plenty of bad news right on this paper in front of us."

The outlook was released along with the state's updated revenue forecast for Washington state's current two-year budget cycle, which showed that income projection increased by just over \$100 million since September's forecast for the current biennium that in the summer of 2017.

The projected overall state budget for 2017-19 is expected to be \$42 billion. The next revenue forecast will be released in February.